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> 'The further we trace out the valorization process of capital, the more is the capital relationship mystified and the less are the secrets of its internal organization laid bare.'
> Karl Marx[1]

Introduction: Marx's Fetishism-Critical Method

In the international research of Marx's Critique of Political Economy of the past decades, it has become fashionable to perform the Bob Dylanesque[2] song of "The Rejection of the Labour Theory of Value", a kind of spoken-word blues with lots of minor chords. The chorus goes like this: "The labour theory of value/ it's just a residue of the classics"[3]. The verses tell the story of a "substantialist", "embodied" labour theory of value held by poor forlorn Marx, against his better judgment. The "message" is that we, and our interpretation of Marx,

1 Karl Marx, *Capital. A Critique of Political Economy. Volume 3*. Penguin, London 1981, p. 139.

2 I apologise to all Marxist Bob Dylan-fans, should they exist.

3 "Can we not say that they [the three points which characterize the first section of *Capital*] are the Classical residue in Marx's value theory?" Makoto Itoh, "A Study of Marx's Theory of Value", *Science and Society*, vol. 40, no. 3 (Fall 1976), p. 312; "[Marx's] linking [the substance of value] to embodiment seems to derive form classical political economy." Geert Reuten, "The Difficult Labor of a Social Theory of Value", in F. Moseley (Ed.), *Marx's Method in Capital. A Reexamination*. Humanities Press, New Jersey 1993, p. 89; 'I think that the introduction by Marx of a posited *ground* for value in labour before the form of value is fully theorised represents a residue of classical political economy in *Capital*.' Chris Arthur, "Money and Exchange", *Capital and Class* #90, 2006, p. 10; David Harvey even suggests that Marx had refused his own value theory: see 'Marx's Refusal of the Labour Theory of Value', at http://davidharvey.org/2018/03/marxs-refusal-of-the-labour-theory-of-value-by-david-harvey/. Interestingly (or rather tellingly), these authors do not provide any original sources, i.e. sources by the 'classics', for their claims.

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will ever only find peace, if "money is the constituent of value"[4], not (abstract) labour and its relation to capital.

Elsewhere[5], we have not only demonstrated how fundamentally mistaken the view of Marx labour theory of value as a residue of the classics is (and the song, in fact, as old as Eugen Böhm-Bawerk's 'critique of Marxism'[6]), but also shown how this fashionable trait in recent Marxism has become indistinguishable from certain axioms of mainstream economy, especially the neoclassical tradition. This becomes eminent in the complete ignorance of the problem of the *fetishism* of the bourgeois relations of production and their interpreters, the *critique of which* essentially informed Marx's own labour theory of value as the only coherent theory of value in the history of social critique.

For Marx, lacking in the classics, and strangely ignored in Marx's modern interpreters, the *distinction between abstract and concrete labour* is the crucial critical heuristic to clear the path to a thoroughgoing critique of the capitalist relations of production and its inverted self-representations. This distinction is directly reflected in the formulation of the labour theory of value, by determining the social substance of *value* as abstract-general human labour and distinguishing it from concrete labour as manifested in the commodity's *use-value*[7]. This conceptualisation equally allowed Marx to pierce the problem of form and content – the problem of fetishism.

The specificity of abstract labour as the *substance* (content) of value for Marx consists in the fact that it always appears in a specific *form* – namely the *value forms* of the commodity, money, capital, wage, profit, price, interest and rent, categories that comprise the 'science' of political economy. In these value forms

4 Geert Reuten, in F. Moseley (Ed.), *Marx's Theory of Money. Modern Appraisals*, Palgrave: Basingstoke 2005, pp. 78–94.
5 Elena Louisa Lange, "Form Analysis and Critique: Marx's Social Labour Theory of Value", in P. Osborne et al. (Eds.), Capitalism: Concept, Idea, Image. CRMEP Books, London 2019, pp. 21–35; Elena Louisa Lange, "The Proof Is In The Pudding. On The Necessity of Presupposition in Marx's Critical Method" in R. Bellofiore et al. (ed.), *Marx Inattuale*. Consecutio Rerum, Edizioni Efesto, Rome 2019.
6 In the same way that the folk blues of the 1960s was a weak reissue of the Delta Blues of the early 20th century.
7 Karl Marx, *Capital. A Critique of Political Economy. Volume 1*. Penguin, London 1976, p. 129, p. 132.

however, the relation to labour is becomes obfuscated. It is crucial to note the *dynamic* of the obfuscation: it *increases* from the simpler to the more complex forms of value. E.g., in the commodity, the relation to production is still quite obvious: 'This mystification is still a very simple one in the case of a commodity. Everybody understands more or less clearly that the relations of commodities as exchange values are really the relations of people to the productive activities of one another. The semblance of simplicity disappears in more advanced relations of production.'[8] We will see how 'more advanced relations of production', or rather their *presentation*, indeed more 'perfectly' obscures the origins of production, and with it, exploitation.

Yet, it is precisely this inversion of *substance* (abstract labour as value in production) and *form* (the different *value forms* it assumes in the process of exchange), in that this substance, as essence, cannot appear but in an *inverted, distorting, and altogether spurious form,* which goes unnoticed in the elaborations of classical and vulgar political economy. In other words, before Marx, the science of political economy was solely concerned with the *forms* of value as value's mere *appearance* – without giving a thought to the specific *substance*, i.e. the *general social form of labour*, that commonly grounds the forms of value in a *constitutive nexus*.

This essay will present the heuristic usefulness of viewing the problem of the value-price-transformation or the transformation of labour values to prices of production – the topic of chapter 9 and 10 of *Capital* vol. 3 – in accordance with the pervasive method of Marx's critique in *Capital*, i.e. as the critique *of fetishism*. We believe that only an understanding that sees the transformation problem as a *qualitative* problem of the *fetish-characteristics* of the bourgeois relations of production, the forms of which are both indicative of, and likewise obscuring their content, can fully grasp the extent to which Marx's own theoretisation surpasses the *quantitative* solutions to the problem – *even beyond Marx's own objective*. Though Marx, by his own fetishism-critical method, first and foremost opened up the *terrain* of viewing the equalisation of profit rates as a problem of capitalist self-mystification, he fatally missed to recognise this *qualitative* dimension of the problem *posed by his own method of inquiry*. Instead, he chose to solve the problem *quantitatively*, underestimating the heuristic power of this own approach. This will form a part of the following discus-

8 *Ibid.*, p. 276.

sion, though by no means we can exhaustively address the methodological and theoretical problems associated with this lacuna. In this context, we can only hope to give hints at what we think are promising insights into emphasising the *coherence* of the fetish-critical method throughout the categorial development of all three volumes of *Capital*.

As indicated, the quantitative solution Marx offers in chapters 9 and 10 of *Capital* vol. 3, as a whole bulk of research literature since Eugen Böhm-Bawerk's first critique (1896) attempted to demonstrate, has proven to be veritably problematic, if not faulty. Marx's allegedly 'failed' attempt to successfully demonstrate the equivalence of prices of production to labour values, i.e. Marx's *failed* transformation procedure, caused the fierce rejection Marx's labour theory of value received in the history of its reception. In recent years, it was especially Fred Moseley's "macro-monetary" intervention that tried to retain the labour theory of value against the critics of Marx's "failed" transformation procedure.[9] In short, for Moseley, there are no two versions of cost price, one based on values (i.e. the sum of the actual constant capital and variable capital advanced), and one based on prices of production. There is only one cost price, based on values. Therefore, "according to this interpretation and contrary to the traditional interpretation, Marx did *not* fail to transform the inputs because the inputs (the cost prices) are not supposed to be transformed… but are instead supposed to be the *same magnitude* (K) in the determination of both values and the prices of production."[10] Moseley argues this by a close comparison between Marx's original manuscript and Engel's edition of volume 3. But the contention that "the inputs are not supposed to be transformed", so that there is "nothing to transform" is odd in the face of *Marx's own* elaborated efforts at a transformation procedure from labour values to prices of production in Chapter 9 of *Capital* vol. 3. While

9 Fred Moseley, *Money and Totality. A Macro-Monetary Interpretation of Marx's Logic in Capital and the End of the 'Transformation Problem'*, Brill, Leiden 2016. In a way, Moseley's intervention more 'radically' applies the quantitative solution offered by the New Interpretation (NI), developed simulatanously by Duncan Foley in the US, and Gérard Duménil and Alain Lipietz in France in the early 1980s. Both Moseley and the NI offer a quantitative heuristic, the 'value of money' or, in later dictum, the 'monetary expression of labour time' (MELT) to demonstrate the 'retainment' of 'the proportionality of profit and unpaid labor time in the face of any deviations of prices from labour values.' See Duncan Foley, "The Value of Money, the Value of Labour Power, and the Marxian Transformation Problem', *Review of Radical Political Economics* 14:2, 1982, pp. 37–47.

10 Fred Moseley (ed.), *Marx's Economic Manuscript of 1864-5*, Brill, Leiden 2015, p. 15–6.

we agree with the offered solutions, we also believe that both Moseley and the proponents of the NI offer an interpretation to a problem whose significance *Marx himself was clearly not aware of*. Our investigation therefore differs from the 'macro-monetary' quantitative solution in stressing the qualitative significance of the value-price-divergence for understanding the problem of fetishism.

This essay will formulate an attempt to shift the view of the formation of a general profit rate and of prices of production away from the technical-mathematical field to the, as we believe, more fundamental epistemological problematisation of the cleft between our cognition of "social processes" in their own presentation (*Darstellung*) and in their real, essential movement. Our qualitative interpretation retains the labour theory of value in a different, and, as we believe, more fundamental way than the attempts of a quantitative solutions to the transformation problem.

The conditions of the transformation problem

Marx's incentive to find a solution to the transformation problem was motivated by demonstrating the quantitative congruence of prices of production to labour values.[11] At the same time, it would hinge on this demonstration whether the labour theory of value had any validity with regard to the "Process of Capitalist Production as a Whole", as presented in the manuscripts for volume 3 of *Capital*. After all, this is the level of analysis in which capital's self-mystification and fetishisation "at the surface" would be revealed and countered.

In volumes 1 and 2, and the beginning of vol. 3 of *Capital*, i.e. the level of the essential conceptual and non-empirical analysis of the capitalist production and circulation process, Marx assumes that commodities are exchanged at their values, i.e. at "prices" that directly correspond to the socially necessary labour time for their production ("value-prices"). In accordance with the method of the presentation, this was hypothetical. Only *after* developing the concept of profit and of cost price in chapters 1–3 of the manuscripts to volume 3 – an *already fetishised, transformed* concept of surplus value and value – could he show that, at the surface of capitalist production under the condition of different branches of

11 This incentive was motivated by Marx's critique of David Ricardo's 'solution' to the problem, the discussion of which unfortunately has to remain out of the scope of this paper.

production and competition, real prices necessarily diverge from values. On the assumption that the rate of surplus value is the same for all individual branches, and the organic composition of capital (the rate between c and v) is different, the exchange of commodities over the different productive sectors would result in completely different profit rates. Evidently however, profit rates tend to equalise – trivially because capital "seeks for as much surplus value as possible", so that, were it not the case, capital would collectively assemble in the sphere of production with the highest rate of profit. Competition therefore tends to *equalise* the rate of profit. Since the equalisation of profit rates in a national economy is an empirical fact, the prices that guarantee this equalisation must necessarily diverge from the values of the commodities. Marx calls these prices *production prices*: they are neither market prices (which are constant subject to change), nor merely "sales prices". Prices of production, rather, denote a *new value form* in the course of the methodological presentation. They result from the competition between the sum of all branches of production to guarantee an average rate of profit to be gained from every individual capital in social production as a whole. In contrast, the market production price, or 'market value' in Marx's terminology, expresses competition *within* individual branches in one line of production. In other words, prices of production "arise when the average of the different rates of profit is drawn from the different spheres of production, and this average is added to the cost prices of the different spheres of production ..."[12] The price of production *p*, for Marx, consists of the cost price *k* (the costs of the productive capital for the capitalist) plus the average profit (a surcharge to the cost price in proportion to the capital employed), so that p = k + kp", or p = k (1+p").[13] On the basis of this formula, Marx attempts to prove how the level of the average rate of profit and accordingly, the prices of production, can be established *on the basis of the value quantities* produced in all spheres of production. In style of an axiom, i.e. without further deducing this claim, Marx hypothesises that the average rate of profit derived from the *system of production prices* is *identical* with the average rare of profit in each production sphere in *terms of value*. In other words, the average rate of profit must be identical with the ratio of surplus value to the complete social capital invested in the totality of social production ("value rate

[12] Marx, *op. cit*. 1981, p. 257.

[13] *Ibid*., p. 265: "The formula that the price of production of a commodity = *k* +*p*, cost price plus profit, can now be stated more exactly; since *p* = *kp*" (where *p*" is the general rate of profit), the price of production = *k* + *kp*". If *k* = 300 and *p*" = 15%, the price of production *k* + *kp*" = 300 + 300 15/100 = 345."

of profit"), during a particular time span. If we consider five different types of capital with different value compositions, then, in Marx's example, we arrive at the following schema:

Capitals[14]	Rate of surplus value	Surplus value (s:v)	Rate of profit (s:c+v)	Used up c	Value of commod-ities (used up c+v+m)	Cost price (used up c+v)	
I. 80c+20v	100%	20	20%	50	90	70	
II. 70c+30v	100%	30	30%	51	111	81	
III. 60c+40v	100%	40	40%	51	131	91	
IV. 85c+15v	100%	15	15%	40	70	55	
V. 95c+5v	100%	5	5%	10	20	15	
390c + 110v		110	110%				Total
78c + 22v		22	22%				Average

If we now treat the different single capitals I-V as a single total capital and distribute the surplus value of 22 or the rate of profit of 22% evenly among the capitals I-V, we would arrive at the following prices of production of the commodities:

Capitals[15]	Surplus value	Value of commo-di-ties	Cost price of com-modities	Price of commodi-ties[16] (cost price + av-erage rate of profit)	Rate of profit	Divergence of price from value
I. 80c+20v	20	90	70	92	22%	+2
II. 70c+30v	30	111	81	103	22%	- 8
III. 60c+40v	40	131	91	113	22%	- 18
IV. 85c+15v	15	70	55	77	22%	+ 7
V. 95c + 5v	5	20	15	37	22%	+ 17

14 *Ibid.*, p. 256. Heinrich formalises this schema as $r = \Sigma s_i / \Sigma (c_i + v_i)$, if s_i, c_i and v_i denote surplus value, constant and variable capital for the i-th sphere of production, and Σ the sum of all i, and r the average rate of profit. See Michael Heinrich, *Die Wissenschaft vom Wert. Die Marxsche Kritik der politischne Ökonomie zwischen wissenschaftlicher Revolution und klassischer Tradition.* Verlag Westfälisches Dampfboot, Münster 1999, p. 269.

15 Marx, op. cit. 1981, p. 256. Heinrich accordingly formalises this schema for the price of production of the i-th commodity (i.e. the product of the i-th sphere) as $p_i = (c_i + v_i) (1 + \Sigma s_i / \Sigma (c_i + v_i)$. See Heinrich *op. Cit.* p. 269.

16 This should more correctly read as "Prices of production of commodities". However, at this point Marx has not yet introduced the concept of the price of production.

As we can see form the last column in latter table, the divergence of price from value in the individual capitals, when considered as one single total capital, balances itself out. Therefore, a diverge of price from value, taken in production as a whole, *does not take place*:

> Taken together, commodities are sold at 2 + 7 + 17 = 26 above their value, and 8 + 18 = 26 below their value, so that the divergences of price from value indicated above cancel each other out when surplus-value is distributed evenly, i.e. through adding the average rate of profit of 22 on the capital advance of 100 to the respective cost prives of commodities I-V … And it is only because they are sold at these prices that the rates of profit for capitals I-V are equal at 22 per cent, irrespective of their different organic compositions…[17]

With this table and method of transformation, Marx thinks he has finally proven his initial claim, namely that the production price system must rest on the basis of the value system by necessity, keeping his theory of value intact. He has thus provided a solution to the value-price-transformation on the basis of his own labour theory of value, fulfilling the two axioms following from this claim, namely that I. the sum of profits must be equal to the sum of surplus value "which this capital produces in a given period of circulation"[18], and II. "the sum of prices of production for the commodities produced in society as a whole … is equal to the sum of their values."[19] Marx therefore believes he has shown that these particular rates of profit in each sphere of production are s/C and "to be developed from the value of the commodity as shown in the first Part of this volume", in which he demonstrates the notion of profit as being a derived, a "mystified" form of the real and fundamental relation between abstract labour and capital in the notion of surplus value. The congruity between prices of production and values in the production of commodities in society as a whole is of decisive importance for Marx, since

> [i]n the absence of such a development, the general rate of profit (and hence also the production prices of the commodity) remains a meaningless and irrational conception. Thus the production price of a commodity equals its cost price plus

17 Marx, *op. cit.*, 1981, p. 257.

18 Marx, *op. cit.*, 1981, p. 141.

19 Marx, *op. cit.*, 1981, p. 259.

> the percentage profit added to it in accordance with the general rate of profit, its cost price plus the average profit.[20]

Two important consequences must be drawn from this: one is unproblematic and merely serves to specify Marx's understanding of surplus value production on the surface of totally developed, competitive capitalism: profit accrues to the individual capitals only *in proportion to the total social capital advanced*. The allocation of surplus value or profit in the perspective of total capital consequentially rests on a *redistribution* of surplus value to the individual branches of production. In other words, as soon as competition is considered, even a favourable (low) organic composition of capital can only realise *a portion of the profit* it would realise under different conditions. Single capitalists therefore never realise the "full" surplus value produced in their own branch of production, but only a fragment of the surplus product generated in social production as a whole, by the *whole* working class. This also means that the notion of "individual value" is, strictly speaking, self-contradictory, even if Marx uses this term to differentiate it from the *market value* of a commodity (more on this in the next section).

The other consequence is of a more technical nature, and also more devastating for Marx's own quantitative solution to the value-price-transformation: while the first axiom is merely a hypothesis which is impossible to prove empirically (which must not mean it is wrong), the second axiom contains a logical flaw and is, therefore, untenable: it assumes that the capitalists can buy their productive capital and, likewise, the workers their means of subsumption, at their respective *values*. However, in fully developed capitalism in conditions of competition, this is impossible: productive capital as well as means of consumption are traded at definitive *prices*. Therefore, the standard reproach against Marx's calculation method is that he had allegedly "forgotten" or "failed to transform the inputs"[21] in his calculation of cost prices (see table 2, column 5). This is of course a problematic formulation, because the transformation of the inputs *already requires the existence of prices of production* on whose basis cost prices could afterwards be accounted for. In other words, the problem is not one of Marx's "forgetfulness". The standard reproach also misses that Marx's was well *aware*

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[20] Marx, *op. cit.*, 1981, p. 257.

[21] I use Moseley's formulation. See Moseley 2016, p. XII.

of the problem[22]: but he fatally *underestimated its significance* for the quantitative solution, as Heinrich emphasises.[23]

The problem rather consists in the circular logic of Marx's quantitative solution to the value-price calculus: cost prices cannot be accounted for in separation and *before* the prices of production, because cost prices themselves must be calculated *on the basis of production prices*. Seen this way, cost prices (and prices of production) must be accounted for simultaneously. But, as Heinrich has pointed out, then we cannot asssume that "the general rate of profit of the production price system coincides with the average rate of profit of the value system."[24], hence, not only the second, but the *also the first axiom becomes untenable*. This predicament however seems to concern the tenability of the labour theory of value as a whole.

> It is unnecessary at this point to refer to the vast amount of both Marxist and non-Marxist literature either discussing solutions to the transformation problem, or taking it to present fundamental objections to Marx's conception of value and sometimes even to declare the theoretical bankruptcy of Marx's teaching as such (e.g. Paul Samuelson, Ian Steedman, Michio Morishima, analytical Marxists such as Jon Elster, John E. Roemer, G. A. Cohen, and others).[25]

The general reproach is that Marx made an error in hypothesising the two axioms of "aggregate equalities" simultaneously, namely I. That the total profit is

22 A divergence of prices of production from values can 'arise out of the following reasons' for Marx: '(2) because the price of production of a commodity that diverges in this way from its value enters as an element into the cost price of other commodities, which means that a divergence from the *value* of the means of production consumed in a commodity may already be contained in the cost price, quite apart from the divergence that may arise from the difference between average profit and surplus-value.' Moseley (ed.), 2015, p. 318.

23 Heinrich 1999, p. 270.

24 Heinrich 1999, p. 270.

25 For a nearly exhaustive overview of the debates on the transformation problem until 1988 and a critique of these views, see Michael Heinrich, "Was ist die Werttheorie noch wert? Zur neueren Debatte um das Transformationsproblem und die Marxsche Werttheorie", *PROKLA* 72 (1988), pp. 15–38. For a recent survey and critical discussion on different solutions to the problem since 1988, starting with the TSSI interpretation, see Moseley 2016 (*op. cit*), pp. 286–360. For further critiques see Duncan Foley, *Recent Developments in the Labour Theory of Value,* a paper given at fourth mini-conference on value theory at the Eastern Economics Association meetings in Washington, April 3–6, 1997.

equal to the total surplus value (rate of profit = "value rate of profit") and II, that the total price of production is equal to the total value (that the divergence of price from value in the total economy = 0).[26] Since both cannot coincide to form a coherent theory of values and price in the real capitalist economy, the theory of production in vol. 1 (and vol. 2) of *Capital* is declared redundant. We are therefore stuck with a theory of the apparent movements of price without being able to coherently, i.e. logically ground the prices of commodities in labour values. Or so it seems.

The Transformation Problem as a Problem of Fetishism

Commodities as products of capital are the results of a specific social form of labour, namely capitalist wage labour. As such, they are explicitly thematised by Marx as late as the beginning of ch. 9 of vol. 3 of Capital, "Formation of a General Rate of Profit (Average Rate of Profit), and Transformation of Commodity Values into Prices of Production." As products of capital, commodities are always-already bearers of an *average rate of profit* as the result of the unity of the process of production and circulation. However, the categories of value and of surplus value are logical-conceptual *presuppositions* to understand the categories of profit and production price. Therefore, addressing the issue of "value" or "surplus value" and addressing the issue of "production price" and "profit" means to address two different levels of abstraction. Yet, the level of abstraction required by the category of value is presupposed in the category of prices of production. The former is based in the confrontation between capital and labour in "purer form" than the latter, in which the basic confrontation is already obscured by the "apparent", i.e. fetishised form of profit. Especially the first chapter of Capital vol. III in which Marx develops the categories of cost price and profit is revealing in this regard. It probably presents the most concise analytic deconstruction of the fetish-characteristic value form of profit we can find in his complete oeuvre. The relation between surplus value and profit here presents the *critical relation* between *the essence* and the *appearance* of the relation between capital and labour:

[26] This view was held by Bortkiewicz in 1907 and later reformulated by the "neo-Ricardians". See Moseley 2016 *op. cit.*, p. XII.

> In surplus-value, the relationship between capital and labour is laid bare. In the relationship between capital and profit [...] *capital appears as a relationship to itself*, a relationship in which it is distinguished, as an original sum of value, from another new value that it posits. It appears to consciousness as if capital creates this new value in the course of its movement through the production and circulation processes. But how this happens is now mystified, and appears to derive from hidden qualities that are inherent in capital itself.[27]

Yet, what does it mean to say that it "appears to consciousness as if capital creates this new value", which generates the impression that, in profit, "capital appears as a relationship to itself"? What does it mean to say that "surplus-value must appear as profit, profit is the transformed form of surplus value"[28]? In other words, what does it mean to say that "essence must appear"[29]? In order to grasp the *necessary* nexus between the non-empirical, conceptual foundation of profit, and the simultaneous illusion and "mystification" it creates by *simply being itself*, we must take a closer look at the determining factor of the rate of profit, i.e. cost price.

As is known, the rate of profit is represented by the ratio of surplus value to the *total* capital invested, i.e. both constant and variable capital, or the *cost price* of capital (s/c+v or s/C). The loss of the distinction between constant and variable capital however is constitutive to how capitalists perceive of their own act of "advancement" of capital. Here is a first hint at how capital can "appear as a relation to itself", namely in the fact that, for the capitalist and his "investment", the "capitalist cost is measured by the expenditure of *capital*, whereas the actual cost of the commodity is measured by the expanditure of *labour*."[30] Here we can detect the importance of the concept of "transformation" for Marx which he uses as chapter and part titles throughout vol. III[31]: "transformation",

27 Marx, *op. cit*., 1981, p. 139.

28 Patrick Murray, "The Secret of Capital's Self-Valorisation 'Laid Bare': How Hegel Helped Marx to Overturn Ricardo's Theory of Profit", in F. Moseley and T. Smith, *Marx's Capital and Hegel's Logic,* Brill, Leiden 2014, p. 192.

29 G.W.F. Hegel, *The Science of Logic. Volume One, Book Two (The Doctrine of Essence*). Translated and edited by George di Giovanni. Cambridge University Press, Cambridge 2010 [1813], p. 418.

30 Marx, *op. cit*. 1981, p. 118

31 As e.g., the titles of Part One and Two of the manuscripts to vol. 3 indicate, i.e. 'The Transformation of Surplus value into Profit' and 'The Transformation of Profit into Average Profit'.

for Marx, is not simply an affair of relegating the mode of presentation towards different relational quantities, co-efficients or variables. The concept of transformation, carefully chosen by Marx, denotes a *reduction* or even *contraction*, not just with regard to the *informative content* of our view of the problem, but of the way that the *problem poses itself* to the vulgar perspective at all. Because the notion of profit relates the "extra" value to the total capital invested, we will only be inclined to look for the difference between capital invested and the surplus it yields, without further questioning *which component* of the "value" invested is productive of new value at all – they all equally seem to yield a 'profit'. Let us consider separately the two results of viewing all value components of cost price as equally yielding profit. As for the first problem arising from the concept of the rate of profit (s/C), this is still quite obvious. For the capitalists, the constant fixed capital used in production does not completely enter into the commodity"s cost price at once and directly, but only partially. Both circulating capital and variable capital however, appearing to the capitalist merely as costs in general, completely enter the cost price, because they are completely used up in production. Hence, as far as value formation is concerned,

> the variable portion of capital, that laid out on labour-power, is expressly identified here with constant capital (the portion of capital consisting of production material), under the heading of circulating capital, and the valorization process of capital is completely mystified.[32]

Second, however, this mystification is not without consequence for the theory of the source of profit. Two faulty premises here give rise to the fetishistic illusion that labour is just a value component among others: first, for the capitalist, if a commodity is sold beneath its cost price, the capital expended cannot be fully replaced. If this process continues long enough, "the capital value will disappear completely"[33]. If relations present themselves this way, it is very understandable that "the capitalist is inclined to treat the cost price as the real *inner* value of the commodity, as it the price he needs merely to preserve his capital.'[34] Second, however, 'is the fact that the cost price of the commodity is the purchase price which the capitalist has paid for its production, i.e. the pur-

[32] Marx, *op. cit.*, 1981, p. 124.
[33] Marx, *op. cit.*, 1981, p. 128.
[34] *Ibid.*, p. 128.

chase price determined by the production process itself.'[35] The source of profit therefore must appear to consist in the *excess value over the cost price* of the commodity, realised with the sale of the commodity, in the

> excess of its sale price over its value instead of an excess of its value over its cost price, so that the surplus-value concealed in the commodity is not simply realized by its sale, but actually derives from the sale itself.[36]

Because the difference in the costs of production and the surplus gained from the sale, apparently seems to spring *from the sale itself* – in that the difference is thought to consist between C and the sales price, not between k and C – the source of profit is determined to be in the circulation process, in the commodities' 'profit upon alienation'. This argument has already been presented in the "Contradictions in the General Formula" in ch. 5 of vol. I of *Capital*. But it is not until at this *exact point in the presentation,* with the specification of the concept of cost price, that we finally comprehend not only *that* a fetishistic illusion occurs, but also *why*. In other words, with the analysis of the notion of profit and cost price, we can determine the *mechanis*m by which the fetishistic view of capital as a "self-valorising force" takes hold of capitalism"s self-understanding.[37]

Yet, if the problem is an *epistemological* one, arising from the capitalist mode of production itself, then why did Marx feel the necessity of abandoning to investigate the *qualitative dimension* of the relation between surplus value and profit for a *quantitative solution*?

The centrality of Marx's critique of fetishism pivotal to the architecture of his intervention is specifically discussed at three conceptual trajectories: first, as the introduction to the theme of *Capital*, the conceptual development of *value* in ch. 1 of *Capita*l vol. I; second, in his introduction to the notion of profit in ch. 1 of *Capital* vol. III; and third, in his deconstruction of the "Trinity Formula" in Ch. 48 of the same volume. The *interrelation* of the three conceptual stages is crucial at this point, in that how they mediate the previous levels of abstraction with the

35 *Ibid.*
36 Marx, *op. cit*. 1981, p. 129.
37 For a similar stress on the importance of Chapter 1 of vol. III of Capital for his "deconstruction" of the conventional theories of profit, see Murray *op. cit*., pp. 208–9.

new one is the *symptom* of the newly reached level of obfuscation or "mystification". At the same time, the analysis provides the key to unravel to mystification at hand: in the concept of profit, i.e., the notion of cost price as it presents itself to the capitalist, as well as in its real determination, we can explain how the appropriation of alien unpaid labour must disappear from the surface. The "obvious" dynamic of capitalism, located in movements of price, altogether erases any epistemological residues of unequal exchange between capital and labour. The "obvious' dynamic of the capitalist mode of production, however, embodied in price movements, is *competition*. Competition is the *necessary condition* that inadvertedly leads to the equalisation of profit rates, so that it is also the inner mechanism or *cause* (*Grund*, in the Hegelian sense) for the emergence of prices of production. "*In competition, therefore, everything appears upside down*"[38], as Marx observes: average profits *seem to be* independent of the organic composition of capital, the wage level *seems to* determine rises and falls in the prices of production, fluctuations in market prices *seem to* reduce the average market price of a commodity to its production price, not to its value. Hence, at the level of *Capital* vol. 3, the real mechanism of competition[39] informs the inversion of appearance and essence in the conventional understanding:

> The finished configuration of economic relations, as these are visible on the surface, in their actual existence, and therefore also in the notions with which the bearers and agents of these relations seek to gain an understanding of them, is very different from the configuration of their inner core, which is essential but concealed, and the concept corresponding to it. It is in fact the very reverse and antithesis of this.[40]

At this point, we can *retroactively determine the fetish-character of value* as it appears to us already at the very beginning of Marx's exposition in *Capital*. At the same time, we can finally comprehend why "essence must appear". Yet, the attempt to 'demystify appearance' is itself not indicative of a particular strategy.

[38] Marx, *op. cit*. 1981, p. 311.

[39] This is not to say that competition is the *inner cause* for capital"s necessity to obtain a share in social production"s aggregate surplus value. The contrary is the case: the necessity of *individual* capitals to obtain a share in the social surplus value, constitutes competition in the first place. See Marx's critique of Smith in the *Grundrisse*. Karl Marx, *Grundrisse* (*Foundations of the Critique of Political Economy*), Penguin, London 1973, p. 752.

[40] Marx, *op. cit.,* 1981, p. 311.

We therefore confront the epistemological problem of, if one will, the 'dialectic' of precondition (*Voraussetzung*) and result (*Resultat*) that Marx was very well aware of as a problem of the inversion of appearance and essence. Here, we face it in the context of the value-price transformation: while a coherent theory and concept of value is *presupposed* for the analysis of cost price, profit, and prices of production, it is prices of production, or rather market production-prices that we are confronted with in reality, and *not the category of value*. Then how did 'value' become a key heuristic to defetishise the categories of bourgeois political economy? In the following, we will attempt to give a sketch, if for reasons of space only a brief one, of what we believe are answers to questions that Marx himself was not thoroughly aware of.

In his monumental *Money as Measure, Means and Method. Calculating with the Identity of Time* (2014), (*Das Geld als Maß, Mittel und Methode. Das Rechnen mit der Identität der Zeit*), Frank Engster explores the condition of possibility of *uniformly relating the different kinds of labour* with one another through *money*. This, for him, is the fundamental epistemological question with regard to the value-price-transformation, revealing the status of Marx's critique.[41] The question here follows up on the method of inquiry posed above: even if we assume that "essence and appearance never coincide", how does the inquiry – the investigation of the nature of price and a uniform rate of profit – point at "its" inner core, namely the production of value and surplus value? Under which conditions could we, being confronted with *prices* only, assume their determination by *value* 'in the last instance (*in letzter Instanz*)"[42]? Engster suggests that the initial question – how do we get from value to price? – should first be reversed: what permits us to go *from prices back to value*? This important question however hints at where Marx in fact *underestimates* the impact of his own inquiry, namely that it supposes not only a quantitative, both both a *quantitative* and *qualitative incommensurability* of value and price. This is the real significance of the fetishistic illusion of the superficial presentation of the aggregate surplus

41 'The status of Marx's critique of value is ultimately revealed only in the transformation and inversion of price.' Frank Engster, *Das Geld als Maß, Mittel und Methode. Das Rechnen mit der Identität der Zeit*. Neofelis, Berlin 2014, p. 615.

42 "…die Werte, die hinter den Produktionspreisen stehen und sie in letzter Instanz bestimmen." K. Marx, *Das Kapital. Dritter Band. Marx-Engels-Werke* Band 25. Dietz, Berlin 1964 (1894), p. 219. Fernbach translates: "… (values) ultimately determine them." Marx, *op. cit*. 1981, p. 311.

value in profit rates: that they in fact *do not* and *cannot* correspond, neither in quantity, nor quality – and, yet, that they *need not*. We agree with Engster"s view that the relation of value and price *must* be incommensurable, since the notion of "price" itself is only a fetishised form of appearance of value. Therefore, we must not only concede a *quantitative incommensurability* concerning their magnitudes, but also of a *qualitative* one that points us to the fact that they address *different conditions of valorisation*, and, respectively, different relations of capital to itself. Engster expresses this in the notion of 'rupture' (*Bruch*): 'This rupture both comes to appear in the prices of commodities and in money, and is simultaneously obscured in them.'[43] Accordingly, the two incommensurables of value and price *cannot be overcome by money as the measure of value* (as e.g. in simple commodity exchange). First, Engster explains why the 'traditional' attempts at quantitative "solutions" to the transformation problem within the Marxist camp had to fail:

> The problem of transformation seemed to consist in the fact that one and the same *quality* – value – appears to be *quantitatively* determined in different terms, in so far as the values created by labour and the final prices (of production) diverged. The transformation was reduced to the attempt of a mere conversion (*Umrechnung*) of given quanta (labour quanta or labour time) into equally quantitative prices of production. If however, on both sides of the calculus, determinate quantities are already treated as given, then the transformation can only mean to converse two quantities *of the same quality*[44] and to determine their relation through it. Moreover, the transformation of values into prices is understood as a spatial-temporal act. On the one hand, the transformation is performed as mathematical accounting (Verrechnung), which, on the other hand, must be carried out in space and time in order to put individual labour in relation to total labour in order to draw their average, and also to put the total sum of surplus value in relation to individual capitals to form the general rate of profit. The question however, which forms the basis of this transformation, namely, *why* the individual labours as well as their results can be put into *one and the same relation* and why this relation can be realised as an *identical* quality (a quality which consists in nothing but its *quantification*) – this question is uncritically left aside, above all because money as the "locus" of the transformation is completely ignored … But

[43] Engster, *op. cit.*, p. 614.
[44] Emphasis added.

> while it is correct that value has no quantitative determination before price, and accordingly, in price, value quanta are not transformed, it is too hastily concluded [by Heinrich] that the level of value is merely 'conceptual-logical'.[45]

Second, Engster thematises the predicament that value can never become the object of *empirical* verification:

> … if value in any case appears as transformed into prices, and can never be known in any other way, then the transformation of values into prices must be *reverted*: why does it have to seem, by the appearance of prices, as though appearance was based on a *previously vague*, but ultimately *decided* relation? Why, by the category of price, does it have to seem that it results from a transformation of this relation into individual prices – a transformation however, which cannot to be reconstructed from determinate, given values, and which, viewed quantitatively, must rather remain indeterminate and insofar out of the scope of empirical verification?[46]

In Marx's quantitative transformation procedure it seems as though the non-empirical category of value *retroactively acquires an empirical, determinate quality* introduced by the concept of production price. But that would mean that values and prices were of the *same inherent quality*, so that the fetishistic displacement occurring through the ratio of the surplus to the total capital invested– Marx's own critical insight from the analysis of profit and cost price – did no longer have a heuristic function explaining its necessarily fetishistic character.[47] Instead of emphasising the significance of the fetishistic illusion of price and the equalisation of profit rates that accounts for the 'upside down' view of conventional political economy, Marx *accepts* the premise of profit-rate equalisation *as a fact* to subsequently prove the *compatibility* of the sum of surplus value and the sum of profit, and of the sum of values with the sum of prices. It seems that

45 Engster, *op. cit.*, p. 612; footnote.

46 Engster 2014, pp. 612–3, footnote 155.

47 Himmelweit and Mohun seem to point at a similar argument of the systematic specific difference between values and prices of production: '… the development of capitalist competition does not introduce a deviation of prices from previously existing socially necessary labour-times, but instead gives those socially necessary labour-times an independent quantitative aspect they did not previously possess.' Himmelweit and Mohun, "Real abstractions and Anomalous Assumptions", in I. Steedman et al., *The Value Controversy*, Verso, London 1981, p. 240.

his insights into the fetishistic character of competition and the formation of a general rate of profit, fostering false assumptions about the essential dynamic of valorisation, and hence, the qualitative *incompatibility* of value and price, 'goes by the board'[48] in Marx's own quantitative transformation procedure.

Yet, Marx was explicit in his intent to demonstrate how the process of capital's valorisation is not only *abstractly* based on the appropriation of alien labour without an equivalent, but how this can be proven in the *real and concrete relations*, relations in which we are confronted with the fact of the equalisation of profit rates and the existence of *prices*.

According to Engster, Marx has conceived of fetishism in a "new" way in the context of the value-price-transformation. This becomes evident in the notion of "rupture" (*Bruch*). While at the level of simple commodity exchange (i.e. commodity exchange considered at the most abstract level), it is merely *commodities* that engage in a social relation through a 'measure-giving' (*maßgebliche*) unit (money), at the level of prices of production, not commodities, but *their production* is put into relation with the measure-giving unity in money-price. The rupture in both cases concerns value itself, insofar as it pertains to the laws of value"s process of valorisation – the production process of capital – and its appearance in price. The rupture then includes "the complete difference between, on the one hand, the becoming of value through its valorisation and, on the other hand, its finished appearance as price at the surface of society."[49] In the concept of price, therefore, "the *whole essence of valorisation must necessarily appear in inverted form* – if only by the fact that value, while being by all means a *total social* relation and a total social *process of valorisation*, appears in the price of a commodity in an immediate and singular, explicit and final fashion."[50] In other words, the difference between value and price can only appear as their rupture. Yet, with regard to the fetishistic transformation, Marx was intent to derive the obvious, "apparent" form from its fundamental social grounding in value *quantitatively*.

[48] Marx, *op. cit.*, 1981, p. 268.
[49] Engster, *op. cit.*, p. 615.
[50] Engster, *op. cit.*, p. 615.

There may be several reasons for Marx's own solution to what he saw as Ricardo's transformation problem, over which we cannot speculate here. Against the choir of the critics of the labour theory of value, however, we can say that its significance for the analysis of the perversions and self-mystifications of the capital relation, is far not exhausted in testing its quantitative tenability.